

***NATIONAL DEFENSE UNIVERSITY***  
**JOINT ADVANCED WARFIGHTING SCHOOL**

**Recapturing U.S. Grand Strategy:**  
**Shaping Iraq Success With Post-Conflict Lessons from Europe and Japan**

by

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**A paper submitted to the Faculty of the Joint Advanced Warfighting School in partial satisfaction of the requirements of a Master of Science Degree in Joint Campaign Planning and Strategy.**

**The contents of this paper reflect my own views and are not necessarily endorsed by the National Defense University or the Department of Defense.**

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**4 April 2008**

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**REPORT DOCUMENTATION PAGE***Form Approved*  
**OMB No. 0704-0188**

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing this collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0188), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. **PLEASE DO NOT RETURN YOUR FORM TO THE ABOVE ADDRESS.**

**1. REPORT DATE (DD-MM-YYYY)**

13 06 2008

**2. REPORT TYPE**

Master's Thesis

**3. DATES COVERED (From - To)**

23-07-2007 to 13-06-2008

**4. TITLE AND SUBTITLE**

Recapturing U.S. Grand Strategy:  
Shaping Iraq Success with Post-Conflict Lessons from Europe  
and Japan

**5a. CONTRACT NUMBER****5b. GRANT NUMBER****5c. PROGRAM ELEMENT NUMBER****6. AUTHOR(S)**

Richard K. Gannon, Lt Col, USAF

**5d. PROJECT NUMBER****5e. TASK NUMBER****5f. WORK UNIT NUMBER****7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)**

Joint Forces Staff College  
Joint Advanced Warfighting School  
7800 Hampton Blvd.  
Norfolk, VA 23511-1702

**8. PERFORMING ORGANIZATION REPORT NUMBER**

JFSC 25789

**9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)****10. SPONSOR/MONITOR'S ACRONYM(S)****11. SPONSOR/MONITOR'S REPORT NUMBER(S)****12. DISTRIBUTION / AVAILABILITY STATEMENT**

Approved for public release, distribution is unlimited

**13. SUPPLEMENTARY NOTES****14. ABSTRACT**

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**15. SUBJECT TERMS**

Iraq, Germany, Japan, grand strategy, economic

**16. SECURITY CLASSIFICATION OF:****a. REPORT**  
Unclassified**b. ABSTRACT**  
Unclassified**c. THIS PAGE**  
Unclassified**17. LIMITATION OF ABSTRACT**  
Unclassified  
Unlimited**18. NUMBER**  
  
69**19a. NAME OF RESPONSIBLE PERSON****19b. TELEPHONE NUMBER (include area code)**  
757-443-6301

Standard Form 298 (Rev. 8-98)

## ABSTRACT

For nine months our classroom discussions have touched on the topic of our strategies in Iraq and Afghanistan in one form or another. My observation is that our strategy for Iraq is not synchronized with our nation's grand strategy. To realize synchronized strategies we must look to the past and in particular our dealings with post-WWI Europe and Japan to examine strategies and outcomes that supported our grand strategy.

This paper begins with an overview of U.S. grand strategy by examining definitions of strategy and grand strategy along with articulations of grand strategy since 11 September 2001. Reviewed next is pre-Iraq planning by the Depart of State and the Department of Defense followed by a review of economic theory and the role economics has in the growth of political freedom. Following this baseline on strategy, planning and economics is a review of U.S. plans for post-WWII Europe and Japan that reveal cause and effect relationships within our grand strategy of the time. Closing out the paper is an examination of the economics-security nexus and recommendations for recapturing U.S. grand strategy.

*For Sarah, Richie, Emily, Allison and Thomas*

## ACKNOWLEDGEMENTS

My approach in writing this thesis was to research a topic of interest, yet get far enough out of my comfort zone to sweat a little. In the end, I think I achieved both aims, learning more than I thought possible. I owe a great debt of gratitude to a number of people who made my research and writing possible. The first thanks goes to my family and in particular my wife Sarah whose patience, gentle prodding, encouragement, and editing made this paper possible – thanks babe. I'm indebted to my children as I often took time away from them to read, think, write, and think some more – thanks Tiger, Lee Lee, Saucey and Choo Choo, Daddy's thesis is finally done.

I would still be wandering in a field of research ignorance if it wasn't for the professional staff of Dr. Gail Nicula at the Ike Skelton Library. Their patience and eagerness to help kept me well stocked in primary and secondary sources. Particular thanks goes to Jeanne Marie Spurlin who help me focus my initial research and to Loretta Silvia who went above and beyond in researching a variety of topics critical to the foundation of this thesis.

Final thanks are reserved for the Seminar III JAWS faculty. As my thesis advisor, Dr. Paul Melshen encouraged me to pursue a topic that I was tentative about, nudging me to consider perspectives I couldn't see at first and challenging me to explore relationships between economics, security, capitalism and democracy. Air Force Lieutenant General (Ret.) Chuck Cunningham shaped my understanding of grand strategy and provided insight on how I might address a topic that is at times elusive. COL Tom Snukis, USA, encouraged everyone in the seminar to lean into our thesis work as he put us through our paces in campaign planning. As a team, the Seminar III instructors have no peers; I am grateful for their wisdom, knowledge and patience.

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## INTRODUCTION

For the last sixteen years our nation has invested its greatest treasure on the ground and in the skies above Iraq. In return for that human investment we have seen the departure of a dictator and the first slow steps toward what we hope is a lasting free, if not democratic Iraq. Our efforts in Iraq as part of the larger U.S. Global War on Terror are a subset of our National Security Strategy (NSS) and its nesting within our nation's grand strategy. The broad, enduring tenets of our grand strategy should guide our nation's leaders as we formulate strategy, execute policy, and maintain, improve and secure those beliefs that make us uniquely American.

My observation is that our strategy in Iraq appears to be out of step with our nation's grand strategy. To that end, our post-conflict efforts in Iraq along economic lines distance us from successful synchronization with that grand strategy. The significance of this lack of continuity is that the U.S. will continue to employ political capital, scarce resources, and military might in a manner that will fall far short of our expectations in terms of final outcomes, and the length of time required to realize those outcomes.

My proposal is that we need to apply the lessons learned from economic policies for post-World War II Europe and Japan in order to correct the inconsistencies between our grand strategy and how we are pursuing our national interests in Iraq. The extent to which we help shape a successful economic future for Iraq using historical lessons will determine how successful we are in aligning our efforts under U.S. grand strategy.

This paper will examine a definition of U.S. grand strategy, past and current plans for success in Iraq, the importance of relationships between economics and security, and

how the lessons – good and bad – from prior post-conflict strategies can help shape success in Iraq.



## Chapter 1: U.S. Grand Strategy

### Section 1: Strategy and Grand Strategy –Working Definitions

“Grand strategy” seems to avoid being pinned down by a convenient definition.

To be sure, there is no single document that addresses U.S. grand strategy, unlike the concept of security as addressed in our National Security Strategy authored by the President, or National Defense and National Military Strategies produced by the Department of Defense. To understand the larger concept of strategy, or in the case of the United States – our preeminent strategic concept, we need to establish a baseline understanding of what constitutes strategy followed by a definition of grand strategy.

The writings of Carl von Clausewitz and B. H. Liddell Hart are appropriate touchstones with which to build a baseline understanding. Both wrote on strategy primarily in the context of the application of military force, but still commented on strategy in a way that allows us to lift their ideas to a level helpful in a discussion of grand strategy. Clausewitz offered that “Strategy is the use of the engagement for the purpose of the war.”<sup>1</sup> He expands on this force-application oriented definition as he goes on to comment on the difficulty in understanding the intellectual factors involved in warfare...“Even so, it is only in the highest realms of strategy that intellectual complications and extreme diversity of factors and relationships occur. At that level there is little or no difference between strategy, policy and statesmanship...”<sup>2</sup> Clausewitz is instructive in pointing out to us that at the ‘highest levels’ of strategy--grand strategy

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<sup>1</sup> Carl von Clausewitz, *On War*, ed. and trans. Michael Howard and Peter Paret (New Jersey: Princeton University Press, 1976), 177.

<sup>2</sup> Ibid., 178.

for our purpose, diversity and competition of priorities blend together to lay the groundwork for challenges that our President and senior leaders must overcome.

Liddell Hart sharpened the focus on grand strategy in 1954, outlining its context in his work *Strategy* with “...the term ‘grand strategy’ serves to bring out the sense of ‘policy in execution’. For the role of grand strategy--higher strategy--is to co-ordinate and direct all the resources of a nation, or band of nations, towards the attainment of the political object of the war--the goal defined by the fundamental policy.”<sup>3</sup> Liddell Hart acquiesces that military power is one of several instruments of grand strategy and that consideration should be given to financial, diplomatic and commercial pressure along ethical pressure to affect an enemy’s will.<sup>4</sup> This articulation of grand strategy as being comprised of more than just military components highlights the significant challenge in creating a synergy among these diverse instruments.

Colin Gray, prolific author and commentator on modern strategy, sees Clausewitz’ treatment of threats, battles and campaigns as conduit to an expanded application of strategy, “Moreover, the strategy at issue may not be military strategy: instead it may be grand strategy that uses ‘engagements’, meaning all of the relevant instruments of power as threat or in action, for the objectives of statecraft.”<sup>5</sup> Gray also finds comfort in the collection wisdom of both Clausewitz and Liddell Hart, offering that “Definitions of strategy abound, but there is no good reason to look far beyond Clausewitz and Liddell Hart for inspiration on the heart of the matter.”<sup>6</sup> This may very well be true, especially considering Liddell Hart’s warning that “The sorry state of peace,

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<sup>3</sup> B. H. Liddell Hart, *Strategy* (New York: Frederick A. Praeger, Inc., 1967), 335.

<sup>4</sup> *Ibid.*, 336.

<sup>5</sup> Colin S. Gray, *Modern Strategy* (New York: Oxford University Press, 1999), 17.

<sup>6</sup> *Ibid.*, 18.

for both sides, that has followed most wars can be traced to the fact that, unlike strategy, the realm of grand strategy is for the most part *terra incognita*—still awaiting exploration, and understanding.”<sup>7</sup>

Harry Yarger offers us a definition of strategy that is easy to digest, “...the calculation of objectives, concepts, and resources within acceptable bounds of risk to create more favorable outcomes than might otherwise exist by chance or at the hands of others.”<sup>8</sup> Yarger goes on to describe strategy as providing a blueprint to bridge the realities of the present with what we desire for the future.<sup>9</sup> In terms of a nation-state, strategy can be defined as the interwoven employment of specific elements of power to achieve political objectives – all against a backdrop of competition with other states with strategic objectives of their own.<sup>10</sup>

The employment of the commonly-accepted instruments of national power – diplomatic, informational, military and economic among different states can be in conflict as well. Taking this logic another step, the instruments of national power themselves can be in conflict with each another within a given state. To observe that multiple elements of power are available to a state is not to say that they all work seamlessly together. While strategy can be described in terms of the employment of elements of national power, it can at that same time be described as the glue that holds these elements of national power together--the driving force that keeps them on a common vector. These combined elements of national power, forming simultaneously the practical manifestation of strategy and the tools for implementing that strategy, lay

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<sup>7</sup> Liddell Hart, 336.

<sup>8</sup> Harry R. Yarger, *Strategic Theory for the 21<sup>st</sup> Century: The Little Book on Big Strategy* (Pennsylvania: Strategic Studies Institute, U.S. Army War College, February 2006), 1.

<sup>9</sup> Ibid., 5.

<sup>10</sup> Ibid., 10.

the groundwork for formulation and articulation of a grand strategy. Before we settle on a framework definition of grand strategy, it is important to understand how military doctrine defines grand strategy.

Joint Publication 1-02 defines strategy as “A prudent idea or set of ideas for employing the instruments of national power in a synchronized and integrated fashion to achieve theater, national, and/or multinational objectives.”<sup>11</sup> The same publication defines grand strategy by referencing national security strategy, subsequently defined as “A document approved by the President of the United States for developing, applying, and coordinating the instruments of national power to achieve objectives that contribute to national security.”<sup>12</sup> The challenge with this definition is that it characterizes grand strategy strictly in terms of national security when grand strategy in practice encompasses a much broader expanse of the strategic landscape. Yarger points to a definition of grand strategy that’s more useful for our purposes, “An overarching strategy summarizing the national vision for developing, applying, and coordinating all the instruments of national power in order to accomplish the grand strategic objectives, viz., preserve national security; bolster national economic prosperity; and promote national values. Grand Strategy may be stated or implied.”<sup>13</sup> With this more specific definition, we can move on to putting grand strategy in context for the United States.

The hunt for a definition of grand strategy for the U.S., keeping in mind the definitions of Clausewitz and Liddell Hart, should start with a reflection on first principles as articulated in the founding documents of our nation. These founding

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<sup>11</sup> Chairman, Joint Chiefs of Staff, *Joint Publication 1-02, Department of Defense Dictionary of Military and Associated Terms*, 12 April 2001 (as amended through September 14 2007), [http://www.dtic.mil/doctrine/jel/new\\_pubs/jp1\\_02.pdf](http://www.dtic.mil/doctrine/jel/new_pubs/jp1_02.pdf) (accessed October 26 2007), 518.

<sup>12</sup> *Ibid.*, 229.

<sup>13</sup> Yarger, 11.

documents, the basis upon which our government was formed by the collective wisdom of our forefathers, are the Declaration of Independence and the Constitution. The Declaration of Independence is the precursory articulation of what our forefathers saw as compelling reasons to declare independence from British rule while the Constitution itself provides enduring guidance for the execution of a government for the people.

The first signs of life in what has become our grand strategy are captured in the second paragraph of the Declaration of Independence -- “We hold these Truths to be self-evident, that all Men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty, and the Pursuit of Happiness...”<sup>14</sup> Life, liberty and the pursuit of happiness, while debatable with respect to which men the rights applied to at the time, capture the ideals that are at the same time justification for independence and an articulation of what our forefathers felt were important concepts worthy of a new independent collection of states. The last paragraph of the Declaration clearly lays out what these independent states, revolving around the ideals of life, liberty, and the pursuit of happiness, should be able to do in their independent status – “...and that as Free and Independent States, they have full Power to levy War, conclude Peace, contract Alliances, establish Commerce, and to do all other Acts and Things which Independent State may of right do.”<sup>15</sup> The combination of these ideals and rights form in retrospect what are the seeds of our nation’s grand strategy.

These seeds of grand strategy find root in Constitution of the United States of America, the follow-on document authored by our founding fathers. It is the Preamble to the Constitution that expands on the Declaration of Independence with respect to what we

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<sup>14</sup> The Declaration of Independence, July 4 1776.

<sup>15</sup> Ibid.

hold important, preeminent in thought, and worth securing through a constitution. It's simple language describes what the founding fathers saw as enduring goals and obligations – “We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.”<sup>16</sup> These obligations are the genesis of our grand strategy and resonate still today, helping us to put our current strategic challenges and obligations in context.

Distilling the framework of our current grand strategy is best done against the backdrop of this historical context for grand strategy. My offering is that we should use the Preamble as a template for our current definition of grand strategy. Imagine being challenged by our founding fathers today to succinctly describe how we, or more specifically the President, is accomplishing the obligations as articulated in the Preamble—forming a more perfect union, establishing justice, insuring domestic tranquility, providing for our defense, promoting general welfare, and securing liberty to us and our children. Our answers, or again the President's answers, reflect the current status and vector of our grand strategy. In short, the answers to the hypothetical question from our founding fathers are in fact, and in practice, our grand strategy.

## Section 2: Articulations of Grand Strategy, 11 September 2001

Now that we have a framework for defining our grand strategy, we need to take a look at how that strategy has been articulated with particular focus on the last three obligations of our grand strategy – providing for our defense, promoting general welfare,

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<sup>16</sup> U.S. Constitution, Preamble.

and securing liberty – and their relationship to our security. We'll also discern the extent to which these obligations are tied to our domestic success and the success of those countries that we see as in our vital interest.

There are two sources that can help inform us on what our grand strategy looks like today. The first of these sources is our current National Security Strategy. The second, recalling Yarger's reminder that grand strategy can be stated or implied, are President Bush's articulation of our nation's priorities and the road ahead at a grand strategic level. To start with an appropriate frame of reference, we'll go back to September of 2001 before examining our 2006 National Security Strategy.

The tragic events of 11 September 2001 brought our strategic priorities to the world stage in an unequivocal fashion. The impassioned comments of President Bush in the first hours and days after the terrorist attacks on our nation highlighted with great clarity the seriousness with which we view our security and its relationship to our defense, welfare and liberty. By 9:30 AM on the morning of the attacks, President Bush had ordered the full resources of the federal government into action to hunt down those who committed the attack, further stating that "Terrorism against our nation will not stand."<sup>17</sup> Later that day he told the nation that all appropriate security precautions are being taken to protect us and that the nation will do whatever is necessary to protect America and Americans.<sup>18</sup> Four days later the President made it clear that the United States would hold accountable not only those who perpetrated this act, but those who

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<sup>17</sup> President Bush, remarks, "Remarks by the President After Two Planes Crash Into World Trade Center," (September 11 2001), <http://www.whitehouse.gov/news/releases/2001/09/20010911.html> (accessed December 6 2007).

<sup>18</sup> President Bush, remarks, "Remarks by the President Upon Arrival at Barksdale Air Force Base," (September 11 2001), <http://www.whitehouse.gov/news/releases/2001/09/20010911-1.html> (accessed December 6 2007).

gave refuge and assistance as well.<sup>19</sup> On the same day the Secretary of State painted a picture of a responsive international community, forthcoming with recognition of the gravity of the attack.<sup>20</sup> President Bush was also unequivocal in acknowledging that the nation is at war, with that war being declared on America by terrorists.<sup>21</sup>

The strength of the President's statements, his rapid engagement of the international community and focus on holding terrorist accountable for their actions is what we as Americans would reasonably expect of our President. His actions clearly show that when we strip down our needs as a nation to their basic element, we find that security trumps all others. When our collective and individual persons are held at risk, so is our liberty. Security is clearly the overarching theme when it comes to the obligations we hold dear – providing defense, promoting welfare and securing liberty.

The thirty day period after 11 September 2001 is flush with examples of how the President perceived the threat to our security, and how we would meet that threat through the diverse strengths of the collective elements of national power. On 19 September he rejected the idea of the attacks as a catalyst for pitting religion against religion, clearly recognizing that a country founded on the principles of freedom would not adopt in a time of crisis a response that painted the religious beliefs of the attacker as representative of a larger community.<sup>22</sup> In a 20 September address to Congress and the nation he reminded us that the terrorists had demonstrated that we are not immune from attack and

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<sup>19</sup> President Bush, remarks, "President Urges Readiness and Patience," (September 15 2001), <http://www.whitehouse.gov/news/releases/2001/09/20010915-4.html> (accessed December 6 2007).

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> President Bush, remarks, "President Building Worldwide Campaign Against Terrorism," (September 19 2001), <http://www.whitehouse.gov/news/releases/2001/09/20010919-1.html> (accessed December 6 2007).



that we need to prepare for further attacks.<sup>23</sup> In the same address he reflected on the NATO charter and its attitude that an attack on one is an attack on all, highlighting the shared security vulnerabilities of the international community.<sup>24</sup> What stands out most in this address however are his comments on American values and how we are “...in a fight for our principles, and our first responsibility is to live by them.”<sup>25</sup> These principles are our nations ‘first principles’, those obligations and commitments we have to ourselves to provide for our defense, promote welfare and to secure liberty. His comments on our economy reinforced these ideas as he spoke of America as a symbol of prosperity – a symbol the terrorist wanted to attack and one that we needed to guard through our economy’s true strengths – the hard work and enterprise of Americans.<sup>26</sup> At the same time he vowed to continue the battle in the economic domain, using all available tools of financial influence to strike at the global terror network.<sup>27</sup>

The power of the collective comments, statements, and addresses of President Bush in the first thirty days after the attacks of 11 September 2001 paint the picture of a country stung by an invisible foe, pledging accountability for those responsible, and outlining a plan for what could be a protracted effort – all the while using the available elements of national power to support the maintenance of security for the nation. That pledge to security would be tested over the next six years and lead us to battle terrorists and their surrogates around the world with great commitment of resources and national treasure--first in Afghanistan, then Iraq. Our pursuit of success on these two battlefields

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<sup>23</sup> President Bush, address, “Address to a Joint Session of Congress and the American People,” (September 20 2001), <http://www.whitehouse.gov/news/releases/2001/09/20010920-8.html> (accessed December 6 2007).

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

over time has become representative of and inextricably linked to our larger efforts to ensure our own security at home. That drive to ensure security has forced us to examine closely how we define success outside our borders, and in particular how we define success in Iraq as it relates to freedom for Iraqi's. It is our success in ensuring our security, in part through economic mechanisms that defines the degree to which we are honoring and reinforcing our grand strategy.

### Section 3: Articulations of Grand Strategy, 2006 - 2007

Six years after 11 September 2001, our fight against terrorism goes on around the world. In addition our President continues to remind us that we must be vigilant in our efforts and not forget that we're still a nation at war and that we shouldn't underestimate the words of evil and ambitious men (such as Osama bin Laden), lest we think that threats have grown distant when in fact they haven't.<sup>28</sup> The President continues to pledge commitment that the United States will do everything in its power to protect Americans and reminds us also that the terrorists who struck America plan to strike again in pursuit of a totalitarian Islamic empire that encompasses all current and former Muslim lands.<sup>29</sup> He also reminds us that our nation is committed to supporting those who seek liberty in the Middle East and its promise of transformation.<sup>30</sup> The President's themes and concepts have been consistent over the last six years and are supportive of what can arguably be seen as the administration's capstone publications in support of our grand strategy: the 2006 National Security Strategy, the National Strategy for Combating

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<sup>28</sup> President Bush, remarks, "President Bush Discusses Global War on Terror," (November 1 2007), <http://www.whitehouse.gov/news/releases/2007/11/20071101-4.html> (accessed December 6 2007).

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

Terrorism, National Report on the Economy and the Strategy for Iraq. It's against the backdrop of these documents that we can gain an understanding of where we've been and where we're going with respect to our national security, road ahead in Iraq, and the how the two interact to inform our grand strategy

President Bush states very clearly in his National Security Strategy (NSS) that our most solemn obligation is to protect the security of the American people.<sup>31</sup> This comment alone gives us a clue as to why Joint Publications often present the National Security Strategy as synonymous with our grand strategy. Lacking any other declaration by the President as to our most important obligations, we often settle on security for the American people as our most important grand strategic priority for the current and near future. The NSS goes on to outline our two most important, and inextricably linked, security priorities – 1) winning the war on terror, and 2) promoting freedom.<sup>32</sup> It is in this second priority that we find the links between democracy, security, and political, religious, and economic freedom.

The NSS links the success of enduring liberty at home with the success of liberty beyond our borders.<sup>33</sup> It is no mistake that this sounds like a plan for ensuring that we are "...securing the blessings of liberty..." as articulated in the Preamble to the Constitution. The challenge in fulfilling this promise to ourselves lies in how we promote and ensure liberty abroad. The NSS doesn't articulate a set-piece formula for

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<sup>31</sup> President Bush, *The National Security Strategy of the United States of America*, 2006, <http://www.whitehouse.gov/nsc/nss/2006/> (accessed August 16 2007), i.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid., 3.

advancing freedom; in fact, it acknowledges that the goal of creating democratic, well-governed states is the work of multiple generations.<sup>34</sup>

Another admission in the NSS is that what we know as freedom may not look the same in another country – “The form that freedom and democracy take in any land will reflect the history, culture, and habits unique to its people”<sup>35</sup> Interpreted simply, what we take for granted in the U.S. as the standard for democracy may in fact not work for other states. Taken a step further, what we see in Iraq in an emerging democracy may not look like what we expected, but is still none-the-less relevant and applicable to the population in Iraq.

What is also relevant is that in our security vision, political, religious and economic liberty move forward simultaneously and in a manner that reinforces each other.<sup>36</sup> This is to say that these three elements must work in synergy to produce freedom and democracy. As previously noted, the success of our own grand strategy is enabled by security at home. This security at home is linked to and reinforced by security abroad in the form of advancing political, religious and economic liberty. Success outside our borders reinforces security inside our borders and supports an important component of our grand strategy.

If you subscribe to the adage that ‘the business of America is business’, then you may very well conclude that the economic element of the political, religious, economic trio is the variable most tied to the rest of the world and the variable that clearly anchors the other two. In addressing Global Economic Growth through Free Markets and Free Trade, the NSS points out that expanded economic growth is inseparable from political

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<sup>34</sup> Ibid., 1.

<sup>35</sup> Ibid., 5.

<sup>36</sup> Ibid., 4.

liberty.<sup>37</sup> This link between economics and liberty is instructive in its validation of the importance of economic growth in new and evolving democracies, especially in their relationship to our security. As if to reinforce the point, the NSS goes on to highlight that “Economic freedom is a moral imperative.”<sup>38</sup> The President’s January 2007 State of the Economy (Overview) supports and reinforces this line of thinking. In the Overview, he outlines his belief that the U.S. can compete economically with any nation as long as trade rules are fair.<sup>39</sup> Tying again into the idea that our success is tied to the success of other nations around the world, the President offers that “...we can create better-paying jobs for American workers and farmers, provide new opportunities for entrepreneurs, and help lift entire nations out of poverty.”<sup>40</sup> In short, our success is tied to the success of other nations around the world.

This chapter has examined a working definition of grand strategy and how that strategy has evolved since September 11, 2001. We now need to examine our pre and post-Iraq planning efforts to determine the degree to which they supported our grand strategy with respect to economic success and security.

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<sup>37</sup> Ibid., 4.

<sup>38</sup> Ibid., 27.

<sup>39</sup> President Bush, *The State of the Economy*, 2007, [http://www.whitehouse.gov/infocus/economy/state\\_economy2007.pdf](http://www.whitehouse.gov/infocus/economy/state_economy2007.pdf) (accessed December 6 2007), 2.

<sup>40</sup> Ibid.

## Chapter 2: The U.S. Plan for Iraq

### Section 1: Pre-Iraq, Planning in the Blind

In this chapter we will examine Iraq planning through three lenses – the 1999 perspective of planners at United States Central Command (USCENTCOM), the plans of USCENTOM for combat operations in Iraq and the Department of States initiative to look at Iraq in the post conflict environment through its Future of Iraq project. These three planning efforts will help us understand what variables and considerations were being addressed in detail along with those that went unaddressed or received minimum attention.

The earliest form of planning for large-scale action in Iraq, whether offensive or in reaction to an internal crisis, is found in the planning efforts of USCENTCOM. The command's area of responsibility includes Iraq, driving consideration of the possibilities that generate participation of U.S. military forces in everything from humanitarian support to combat. In June of 1999 then USCENTOM commander General Anthony Zinni led a series of wargames named Desert Crossing to identify interagency issues and insights related to management of a post-Saddam Iraq.<sup>41</sup> The 70-plus participants in the wargames and seminar spanned the Department of State, Department of Defense, National Security Council, Central Intelligence Agency and USCENTCOM staff.<sup>42</sup>

The collective Desert Crossing group came up with a wide variety of observations. Most telling for our purposes are their observations on how difficult it

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<sup>41</sup> United States Central Command, *Desert Crossing Seminar: After Action Report* (June 28-30 1999), The National Security Archive under "Post-Saddam Iraq: The War Game," [http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB207/Desert%20Crossing%20After%20Action%20Report\\_1999-06-28.pdf](http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB207/Desert%20Crossing%20After%20Action%20Report_1999-06-28.pdf) (accessed August 10 2007), 3.

<sup>42</sup> *Ibid.*, 8.

would be to manage a post-Saddam Iraq. The group concluded that regime change didn't equate to stability and that religious and ethnic fragmentation along with rival forces competing for power could be expected.<sup>43</sup> As for external consternation over U.S. intervention, the group concluded that Arab coalition partners may have an entirely different vision as to how Iraq should look post-Saddam.<sup>44</sup> The group also reflected on what they called the 'Japanese Option' of long-term presence and directed change, concluding that "...while at the extreme end of the spectrum, is not likely to be well received by coalition partners."<sup>45</sup>

The group did outline a set of criteria for defining success should the U.S. be drawn into a large-scale ground mission in Iraq. The criteria included destruction of Weapons of Mass Destruction (WMD), an Iraqi military restructured around the regular Iraqi army, an Iraqi government that honors and subscribes to international obligations and norms and a stabilized and growing oil economy.<sup>46</sup> This last point is particularly prescriptive, especially when linked with two of the group's additional observations; "A stable Iraq can evolve only if it is economically viable"<sup>47</sup> and that the length of time required to achieve end states would depend on how deep the U.S. is involved and could last 10 years if like a Bosnia scenario.<sup>48</sup>

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<sup>43</sup> Ibid., 4.

<sup>44</sup> Ibid., 13.

<sup>45</sup> Ibid., 13.

<sup>46</sup> Ibid., 17.

<sup>47</sup> Ibid., 14.

<sup>48</sup> Ibid., 30.

## Section 2: Polo Step – USCENTCOM War Plans

In November of 2001 President Bush directed Secretary of Defense Rumsfeld to start planning for contingencies in Iraq.<sup>49</sup> The resulting classified planning effort by USCENTOM planners was known as POLO STEP. Their iterative planning efforts as captured in declassified slides made available through the freedom of information act spanned the timeframe from November 2001 through August 2002.<sup>50</sup> The plan for Iraq is captured in four phases that outline preparation, seizing the initiative, regime destruction and post hostilities. The slides give comprehensive attention to the pre-hostility and execution portions of the plan know as Phases I, II and III, yet are sparse on details of post-hostilities or Phase IV timelines and required forces and actions.

The planning efforts as captured in the declassified slides are admittedly a narrow view of what is certainly an extensive and complex USCENTOM planning process for hostilities in Iraq. The POLO STEP plan is broken up into four phases<sup>51</sup>:

- Phase I: Preparation / Complete Posturing of the Initial Force
- Phase II: Attack Regime
- Phase III: Complete Regime Destruction
- Phase IV: Post-Hostilities

As is to be expected, the slides capture in great detail the build-up and execution phases of the plan. What is very apparent in reviewing the POLO STEP slides is the stark difference in level of detail between Phase I through Phase III planning and Phase IV.

Tab “I” slides titled “Compartmented Planning Effort” and dated 15 August 2002 highlights as background the President and Secretary of Defense’ guidance that planners

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<sup>49</sup> Top Secret Polo Step, *The National Security Archive* (February 14 2007) under “Iraq War Plan Assumed Only 5,000 U.S. Troops Still There by December 2006,”

<http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB214/index.htm> (accessed 10 Aug 2007).

<sup>50</sup> Ibid.

<sup>51</sup> United States Central Command Slide Compilation: Top Secret Polo Step, *The National Security Archive* under “Tab L. Compartmented Concept-Updated 4 August 2002,”

<http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB214/index.htm> (accessed August 10 2007), Tab L, 2.



“Integrate / consider all elements of national power”<sup>52</sup> in their planning efforts. Under key planning assumptions for the “Generated Start” concept in the same briefing is the assumption that the Department of State “...will promote creation of a broad-based, credible provisional government – prior to D-day.”<sup>53</sup> Tab L slides from 2 August 2002 outline Phase IV actions and requirements, breaking down Phase IV into three phases, the combined time of all three lasting from 32 to 45 months.<sup>54</sup> Phase IV is broken up into the sub-components of<sup>55</sup>:

- Phase IVa, Stabilization (2-3 months)
- Phase IVb, Recovery (18-24 months)
- Phase IVc, Transition to Security Cooperation (12-18 months, ending with achievement of End-State)

The time period after End-State is labeled as Security Cooperation and lasts greater than two years.<sup>56</sup> The DOD tasks for Phase IV as listed in Tab L are:<sup>57</sup>

- Support the establishment of a stable Iraqi government
  - Establish a secure environment and assist in recovery and reconstruction
  - Support the establishment of Iraqi Self-Defense forces
  - Ensure the territorial integrity of Iraq
  - Transition civil-military activities to international organizations / non-governmental organizations / Iraqi government
- Ensure WMD capability destroyed
- Gather intelligence, detain terrorists and war criminals, free individuals unjustly detained
- Re-deploy forces

The assumptions about the Department of State’s responsibilities as previously listed combined with generalized, broad-brush “support” of a stable Iraqi government through transition of civil-military activities paint the picture of a gap in planning, and

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<sup>52</sup> United States Central Command Slide Compilation: Top Secret Polo Step, *The National Security Archive* under “Tab I. Compartmented Planning Effort – 15 August 2002,” <http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB214/index.htm> (accessed August 10 2007), Tab I, 2.

<sup>53</sup> Ibid., 4.

<sup>54</sup> United States Central Command Slide Compilation: Top Secret Polo Step, Tab L, 6.

<sup>55</sup> Ibid.

<sup>56</sup> Ibid.

<sup>57</sup> Ibid.

subsequently in execution. The critical period between the end of combat with regular Iraqi military forces and the successful establishment of a stable Iraqi government appears to have been given less-than-adequate attention by the Department of Defense as seen through the planning efforts of USCENTOM in their exhaustive pursuit of a comprehensive plan for defeat of the Iraqi regime. To be fair, the POLO STEP slides may not capture other Phase IV planning efforts that attempted to link Department of Defense and Department of State efforts in the spirit of using all elements of national power. That being said, the balance of attention given to the post-hostilities period in the POLO STEP plan is unbalanced when compared to the detail given to Phases I through III.

Striking also by comparison is optimistic timeline envisioned for Phase IV in light of the challenges envisioned in the Desert Crossing wargame effort of 1999. As previously noted, the wargame results warned that regime change didn't equate to stability, rival factions could be expected to compete for power,<sup>58</sup> a restructured Iraqi military would be required,<sup>59</sup> Iraq could only evolve if it was economically stable,<sup>60</sup> and that the effort could last up to ten years.<sup>61</sup> Apparently absent in the POLO STEP planning process is an acknowledgement that these considerations, though not strictly the purview of the Department of Defense, needed considerable attention in an effort to shape success in a post-hostilities environment.

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<sup>58</sup> United States Central Command, *Desert Crossing Seminar: After Action Report*, 4.

<sup>59</sup> *Ibid.*, 17.

<sup>60</sup> *Ibid.*, 14.

<sup>61</sup> *Ibid.*, 30.

### Section 3: Department of State Planning - Future of Iraq Group

Having compared USCENTCOM perspectives from 1999 and 2002, we must now look at the Department of State's October 2001 to April 2003 planning efforts for a post-regime Iraq as captured in the work of the Future of Iraq Project.

The planning for a post-Saddam Hussein transition began under the direction of former Department of State Official Thomas Warrick in October 2001.<sup>62</sup> The task was to assemble free Iraqi engineers, lawyers, business people, doctors and other experts into 17 groups<sup>63</sup> that would eventually be augmented by international experts and interagency observers from the Office of the Vice President, Office of the Secretary of Defense, Joint Chiefs of Staff, Treasury, Agency for International Development, Health and Human Services, Commerce, United States Geological Survey and the Environmental Protection Agency.<sup>64</sup> These groups collectively formed the nucleus of the United State's effort to participate in and assist free Iraqis in shaping the future of their own nation. The challenge at the end of their efforts would be integrating their body of work into post-regime responsibilities as steered by the Department of Defense.

The distinct groups of the Future of Iraq Project met 33 times between July 2002 and April 2003 in an effort to strategize on a broad range of topics such as public health and humanitarian needs, transparency and anti-corruption, oil and energy, defense policy and institutions, democratic principles and procedures, civil society capacity building, education, free media, water, agriculture and environment, and economy and

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<sup>62</sup> The Future of Iraq Project, *The National Security Archive* (September 1 2006) under "New State Department Releases on the "Future of Iraq" Project," <http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB198/index.htm> (accessed August 10 2007).

<sup>63</sup> Ibid.

<sup>64</sup> United States Department of State, The Future of Iraq Project: Overview, *The National Security Archive* under "Future of Iraq Project Working Group Recommendations/Overview," <http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB198/FOI%20Overview.pdf> (accessed August 10 2007), 5.

infrastructure.<sup>65</sup> Consistent throughout the meetings and in resulting products was the theme that Iraqi's involved in the project would count on the U.S. for procedural lead in the project, but would reach their own decisions and conclusions.<sup>66</sup> The group's efforts culminated in a 1,200 page, 13 volume report containing strategies, facts, intellectual background, predictions and warnings relative to a post-Saddam Iraq and how the approach the daunting task of addressing the categories previously mentioned.<sup>67</sup>

Members of the "Democratic Principles" had insightful comments on the characterization of U.S. support to a post-regime Iraq – two of those comments stand out. First is the observation that Iraq is not Afghanistan, second is that the U.S. should make a commitment to Iraq like Japan and Germany.<sup>68</sup> These comments are instructive, especially in light of the perceived level of commitment to post-war Japan and Germany. There is an obvious sense that post-regime Iraq will require significant commitments in time and resources to posture the country for near-term and future success. Also telling is the perceived level of importance of Iraq vis-à-vis the U.S. The success of post-war Japan and Germany was inextricably linked to the future of the U.S., particularly in the economic arena.

At the practical level, individual groups identified key items for action in the immediate aftermath of a regime change. To be clear, their intellectual efforts were not intended to conclude in an executable plan. Instead, their collective contributions were intended to establish multiple intellectual, procedural, organizational and requirement-based starting points for U.S. and coalition efforts. Four of the group's conclusions merit

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<sup>65</sup> The Future of Iraq Project.

<sup>66</sup> United States Department of State, The Future of Iraq Project: Overview, 31.

<sup>67</sup> The Future of Iraq Project.

<sup>68</sup> United States Department of State, The Future of Iraq Project: Overview, 11.

particular consideration, particularly in the context of security and its relationship to economic success.

The Defense Policy group's recommendations about the Iraqi military were prophetic in the absence of their execution. The group's expectation was that the Iraqi military would require down-sizing, but would need to be retained for the purpose of defending Iraq and more specifically defending its future constitution.<sup>69</sup> The military would also provide a stabilizing influence in the region as well as maintaining an apolitical nature.<sup>70</sup> As we know the Iraqi armed forces were not restructured, but were instead disbanded at Coalition Provisional Authority Administrator Paul Bremer's direction on 23 May 2003.<sup>71</sup> This directive to disband the military flew in the face of the group's wisdom and set the stage for a lengthy and painful recovery of the efficacy of the Iraqi armed forces. This recovery period has levied requirements of the U.S. military in training and assumption of security responsibilities that could ostensibly been assumed by Iraqis. Although a potential stretch in logic, assuming a smooth transition to Iraqi responsibility for security, U.S. troops could have been used to facilitate an accelerated stand-up of Iraqi infrastructure.

Two groups focused on immediate infrastructure and agriculture needs. The Economy and Infrastructure group stressed the importance of getting Iraq's electrical grid up and running as soon as possible in a post-hostilities environment.<sup>72</sup> In their thinking, resumption of access to electricity would have an immediate positive impact on the Iraqi populace. The Water, Agriculture and Environment working group foresaw the need for

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<sup>69</sup> United States Department of State, *The Future of Iraq Project: Overview*, 17.

<sup>70</sup> *Ibid.*

<sup>71</sup> *The Future of Iraq Project*.

<sup>72</sup> United States Department of State, *The Future of Iraq Project: Overview*, 16.

immediate access to clean water,<sup>73</sup> for the same reasons as the Economy and Infrastructure group and with the same anticipated result. Success in both these areas was expected to compliment U.S. and coalition Iraqi-relations efforts as well as provide a significant psychological boost Iraqi citizens.<sup>74</sup>

Oil and Energy, the fourth group, expected that Iraq's oil industry would be an international leader considering the size of Iraqi reserves and the talent of those Iraqi's associated with the program.<sup>75</sup> The group made two important acknowledgements, 1) coalition forces would be required for physical security – but not to run Iraq's oil industry (Iraqi's could and must do that), and 2) Iraq would need and must attract outside capital and expertise from the international oil-producing nations.<sup>76</sup> The group's members clearly felt that the Iraqi oil industry was a sustainable, income-producing engine for Iraq that could be managed by Iraqis at a level competitive with the world's major oil suppliers. The projected level of impact of a re-emerged Iraqi oil industry was critically important to the members of the Oil and Energy group and more importantly gave life to a concept that could, in the months before regime change, lay the foundation for an economically successful Iraq.

It is important to recognize three important conclusions from the Future of Iraq Project relative to the Department of State's effort. First is that the Department acknowledged in 2001 that there was a requirement for advanced thinking and pre-planning for a time when Sadaam Hussein would no longer be in power. Second is that the Department also recognized that Iraqi experts had to provide the required expertise to

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<sup>73</sup> Ibid., 12.

<sup>74</sup> Ibid.

<sup>75</sup> Ibid., 19.

<sup>76</sup> Ibid.

sufficiently work through the known and unknown challenges. Lastly in the fact that the Future of Iraq project was an early catalyst for potential economic success through recognition of the criticality of oil production to the recovery on the Iraqi economy.

The three wargaming and planning efforts examined thus far – Desert Crossing, POLO STEP and the Future of Iraq Project are distinct and with credible merit as individual approaches to the complex challenge of removing a regime in Iraq, maintaining security and stability in a post-regime environment and setting the conditions for an enduring security environment that supports the promotion of democratic ideals. The disappointing aspect of the three efforts is that they existed in isolation during a period when their synergy could have realized significant reduction in the friction we've come to observe since the spring of 2003 and the cessation of major combat operations in Iraq.

The strength of these efforts, undertaken at different times and with different purposes, comes in their potential for complimentary efforts. The lessons of Desert Crossing would have served USCENTCOM planners well as they prepared the details of the plan for Phase IV. The Future of Iraq Group's observations, warnings, and recommended priorities appear at face value to offer a level of fidelity that would have greatly benefitted USCENTCOM'S Phase IV planning efforts, particularly from the perspective of how military forces would hand over responsibility for civil-military operations and functions to other governmental and non-governmental organizations. The absence of linkages between these planning efforts, and the human effort to make those linkages, resulted in a gap between the intellectual backplane provided by the Future of Iraq Project thinkers and the Phase IV executors who were ready to hand over

responsibility to other organizations absent any concrete plan that would fill the apparent gaps and voids.

The period 1999 to 2003 is instructive on how planners from the Department of Defense and Department of State envisioned the future of Iraq after a transition. What's telling for us today is where we sit after fast-forwarding through regime overthrow and into the challenges of an Iraq that is struggling to stand on its feet for what is a lengthy journey to independence and ownership of a regional leadership role.

#### Section 4: Iraq and Its Economy, White House Perspective 2005-2007

The President's National Strategy for Victory in Iraq dated November 2005 is the most current, comprehensive articulation of U.S. strategy for Iraq. The Strategy captures priorities and goals for the United States as well as expectations of the Iraqi government. Not a static document, the strategy received a significant course correction in early 2007 and has been assessed against benchmark reports in July and September of 2007. To put those reports in context and appreciate the vision of the Future of Iraq Project group members, we have to first understand the vision of the 2005 National Strategy for Victory in Iraq.

The security of the United States is an enabling component of our grand strategy as discussed in the first chapter of this paper. The 2005 National Strategy for Victory in Iraq states clearly two concepts that are critical to our understanding of how events in Iraq impact the United States in the security domain – 1) that victory in Iraq is a vital interest of the United States, and 2) that American security is profoundly impacted by the



near-term fate of the Middle East as a whole.<sup>77</sup> These two ideas help solidify the connection between our future and the future of Iraq as well as opening the door to understanding how the economic success of Iraq is tied to our success, and ultimately our security. Put succinctly in the report, “Ceding ground to terrorists in one of the world’s most strategic regions will threaten the world’s economy and America’s security, growth, and prosperity, for decades to come.”<sup>78</sup>

The 2005 strategy tackles the Iraq problem set with three tracks – political, security and economic. These three integrated tracks each have three supporting concepts<sup>79</sup>:

- 1) Political: clear, hold, build
- 2) Security: clear, hold, build
- 3) Economic: restore, reform, build

Together the tracks have the overall objectives of defeating terrorists and securing a democratic Iraqi state.<sup>80</sup> The objectives of the economic track are collectively oriented toward creating the foundation for a self-sustaining and sound economy by helping the Iraqi government.<sup>81</sup> The economic track is broken down as:<sup>82</sup>

- 1) Restore Iraqi infrastructure by so that it meets the needs and demands of a growing Iraqi economy.
- 2) Reform Iraq’s economy so it can be self-sustaining
- 3) Build capacity of institutions to maintain infrastructure in order to rejoin the international economic community and improve the overall welfare of all Iraqi’s.

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<sup>77</sup> National Security Council, *National Strategy for Victory in Iraq*, 2005, [http://www.whitehouse.gov/infocus/iraq/iraq\\_national\\_strategy\\_20051130.pdf](http://www.whitehouse.gov/infocus/iraq/iraq_national_strategy_20051130.pdf) (accessed December 6 2007), 1.

<sup>78</sup> Ibid., 4.

<sup>79</sup> Ibid., 8, 9.

<sup>80</sup> Ibid., 8.

<sup>81</sup> Ibid., 2.

<sup>82</sup> Ibid., 2.

The overall measure of success for the combined tracks is the realization of a time when Iraqi citizens return to their normal lives and take ownership in a peaceful Iraq.<sup>83</sup> The measures of success for the economic track take the form of metrics as well as consideration of more subjective criteria tied to Iraqi's returning to their normal lives.

The metrics for economic success are gross domestic product (GDP), per capita GDP, inflation, electricity generated and delivered, barrels of oil produced and exported, and number of businesses opened.<sup>84</sup> The 2005 strategy claims progress in these areas based on an increase in oil production from 1.58 million barrels per day in 2003 to 2.1 million barrels per day as of September 2005.<sup>85</sup> This recovery of the oil sector has also fueled an increase in GDP from \$13.6 billion in 2003 to \$25.5 billion in 2004.<sup>86</sup> Though notable improvements, the strategy acknowledged the multiple challenges that still faced Iraq to include facilitating foreign investment in Iraq's oil sector, overcoming long-term neglect of Iraq's infrastructure, preventing and repairing terrorist and insurgent attacks against vital infrastructure such as electricity and oil nodes, and an increased demand for electricity.<sup>87</sup> On this last note, the liberalization of border trade and the increased salaries of Iraqi's have resulted in a growing demand for electrical goods since 2003 that has raised the demand for electricity.<sup>88</sup> Drawing back to the Future of Iraq Project, we're reminded of the criticality of reestablishing electricity production and dissemination.

To organize efforts aimed at achieving success in the economic, political, and security tracks, the 2005 strategy breaks down these three areas over eight strategic

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<sup>83</sup> Ibid., 9.

<sup>84</sup> Ibid., 13.

<sup>85</sup> Ibid., 23.

<sup>86</sup> Ibid., 23.

<sup>87</sup> Ibid., 24.

<sup>88</sup> Ibid., 24.

pillars.<sup>89</sup> The lines of action supporting strategic pillar five “Help Iraq Strengthen Its Economy” are:<sup>90</sup>

- 1) Helping Iraq to improve fiscal management and transparency.
- 2) Encouraging pro-market oriented reform and attainment of a stable macroeconomic environment.
- 3) Supporting development and implementation of laws and institutions that encourage sustained economic growth.
- 4) Encouraging removal of regulations and termination of practices that obstruct private sector growth in Iraq.
- 5) Providing technical assistance to aid the rapid improvement of Iraq’s business climate and Iraq’s accession to the World Trade Organization.
- 6) Assisting the Iraqi government in strengthening banking and financial systems
- 7) Supporting the revitalization of agriculture and other productive sectors with the aim of diversifying a single-resource-based economy

These lines of action support the economy-related strategic objective “Iraqi government policies and legal framework support a market economy and robust private sector-led growth.”<sup>91</sup> This strategy for economic success is inextricably linked with the parallel strategies for political and security success. As we will see with 2007 assessments, success is sequential with the ‘clear’ and ‘hold’ concepts of the security strategy limiting progression to ‘build’ – a serious setback considering the close ties between a secure environment and economic success.

President Bush’s assessment on 10 January 2007 was that our current strategy in Iraq was not working.<sup>92</sup> The administration had looked for progression on the political track, but didn’t realize the expected level of success due to sectarian violence--with violence being synonymous with security.<sup>93</sup> Two conclusions were drawn from the assessment – 1) there was no silver bullet for Iraq, and 2) the U.S. could not afford to fail

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<sup>89</sup> Ibid., 25.

<sup>90</sup> Ibid., 32.

<sup>91</sup> Ibid., 32.

<sup>92</sup> White House, Press Release, “Background Briefing by Senior Administration Officials,” (January 10 2007), <http://www.whitehouse.gov/news/releases/2007/01/20070110-1.html> (accessed December 6 2007).

<sup>93</sup> Ibid.

and must succeed.<sup>94</sup> The solution to the problem laid in an Iraqi government plan to address the security challenges coupled with a \$10 billion reconstruction and infrastructure effort to be complemented by the U.S.<sup>95</sup> The Iraqi plan was to be Iraqi-resourced (save five additional combat brigades for Baghdad provided by the U.S.) and Iraqi led.<sup>96</sup> In addition, the U.S. would shift from the clear, hold, build concepts of the strategy track (with 'hold' and 'build' never being realized) to a plan where military operations are followed by economic assistance and plans to put Iraqis to work.<sup>97</sup>

The overall outlook in general and economic outlook in specific look improved according to the National Security Council's (NSC) 14 September 2007 Iraq Benchmark Assessment report. The improvement reflects an upward trend in the appropriate indicators, but more than anything is a reminder that the road to economic recovery for Iraq is long and fraught with challenges, some of which have yet to appear.

Among macroeconomic indicators seeing improvement was non-oil real growth--projected to be 5% in 2007.<sup>98</sup> Non-fuel inflation has also saw a downward trend, declining to an overall inflation rate of 30% by July 2007 and 5% for a YTD by September 2007.<sup>99</sup> Government revenues were also above targeted level due to increased oil export prices.<sup>100</sup> At the provincial level, local leaders obligated funds for essential services and infrastructure at an increased rates compared to 2006.<sup>101</sup>

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<sup>94</sup> Ibid.

<sup>95</sup> Ibid.

<sup>96</sup> Ibid.

<sup>97</sup> Ibid.

<sup>98</sup> White House, *Iraq Benchmark Assessment Report*, (September 2007), <http://www.whitehouse.gov/news/releases/2007/09/20070914.html> (accessed December 6 2007), 8.

<sup>99</sup> Ibid., 8.

<sup>100</sup> Ibid., 8.

<sup>101</sup> Ibid., 9.

The potential for continued economic trends is of course linked to the security environment in Iraq. The perception of improved security conditions has resulted in the recommendation to the President, and his approval of transition of responsibility for security operations to the Iraqi government and its security forces.<sup>102</sup> That being said, the lack of security remains the biggest obstacle to realization of major economic turnaround, with real success unlikely until the security situation improves beyond its current state.<sup>103</sup>

The NSC's report again reinforces to inextricable relationship between security and economic success. This enduring and widely-permeated relationship manifests itself at the tactical level for the Iraqi shopkeeper, at the operational level for the provincial leader, at the strategic level for the Iraqi government and at the grand strategic level for the United States. The basis for this relationship is worthy of investigation in order for us to fully understand the criticality of success – and its relationship to our grand strategy.

This chapter has reviewed USCENTCOM and Department of State planning initiatives prior to U.S. intervention in Iraq. The shortcomings of these planning efforts are being felt even today and remind us that we must honor first principles in the form of grand strategy and its economic and security components as we craft a road ahead. To understand the strategic importance of this relationship we must first understand the relationship between economics and democracy.

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<sup>102</sup> Ibid., 3.

<sup>103</sup> Ibid., 9.

### Chapter 3: Economic Theory and the Plan for Iraq

#### Section 1: Economics and the American Revolution

Economic success as a basis for state security is not a new concept. As Americans, we can trace the concept back to our nation's birth in the late 1700's. Sustainable commerce that facilitated the free and open exchange of goods was central to the continued growth and prosperity of the colonies. A survey of the forces impacting the move to independence reveals that economic considerations were, in part, contributing factors. Drawing this thread out over two centuries, we find that economics is still linked with our security, the security of those states deemed as in our vital interest, and ultimately to our grand strategy.

Three separate but related developments in the thirty years prior to 1776 put American colonies at the crossroads that would eventually lead to independence. These developments were:<sup>104</sup>

- 1) The growth of an elite class of merchants and landowners in the North and planters/merchants in the South.
- 2) Involvement of the 'low orders' (less-wealthy land owners, lower classes of the cities) in Revolutionary movement.
- 3) Broad economic changes impacting Atlantic economies and classes of people.

The third of these three is most directly related to the argument that the pursuit of a stable economies resulted in a move to independence. In the periods 1720-1745 and 1745-1775 there existed significant trade growth that resulted in expansion and contraction of favorable trades relationships between British companies and colonial merchants. The

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<sup>104</sup> Marc Egnal and Joseph A. Ernst, "An Economic Interpretation of the American Revolution," *The William and Mary Quarterly*, 3<sup>rd</sup> ser., Vol 29, No. 1 (January 1972): <http://links.jstor.org/sici?sici=0043-5597%28197201%293%3A29%3A1%3C3%3AAEIOTA%3E2.0.CO%3B2-N> (accessed 5 Dec 2007): 9-10.

period of 1720-1745 saw an expansion of trade by Britain centered around the export of British manufactured goods to Africa and American colonies, importation of slaves to the West Indies and imports of sugar to Britain.<sup>105</sup> These events combined to produce strong British economic growth and a corresponding increase in purchasing power.<sup>106</sup>

The second of these two periods, 1745-1775, saw an increase of British exports to the colonies and a resulting depression fueled by an excess of available goods.<sup>107</sup> The British solution to having an excess of goods in the colonies was to remove the established colonial merchants from the supply chain and instead deal directly with the shopkeepers.<sup>108</sup> This approach by the British put intolerable pressure on the economy of the colonies as importers looked for settlement from shopkeepers while at the same time keeping British creditors at bay.<sup>109</sup> In short, the long-established merchants of the colonies were feeling the pressure of British trade policy, driving at least in the near term, the consideration of alternatives. Among alternatives was the adoption of boycotts on importation of British goods by colonial merchants. These boycotts in 1765, 1768 and 1769 were intended to be in effect for specific periods and were not intended to be open-ended.<sup>110</sup>

What resulted from these boycotts, and the backlash against merchants who failed to be aggressive in continuing to boycott British imports after the designated period, was “...the profound and growing commitment of the colonial importers to the achievement of sovereignty, economic and political.”<sup>111</sup> This realization, coupled with the continued

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<sup>105</sup> Ibid., 11.

<sup>106</sup> Ibid., 11.

<sup>107</sup> Ibid., 15.

<sup>108</sup> Ibid., 15.

<sup>109</sup> Ibid., 17.

<sup>110</sup> Ibid., 23.

<sup>111</sup> Ibid., 23.

growth of the merchant class and impact of the ‘low orders’ set the stage for what would become our revolution and eventual independence. Marc Egnal and Joseph Ernst capture best the sentiment that the seeds of our liberty were sewn in the economic fields of colonial America:

“The time has come to reassert the essential reasonableness and necessity of the American Revolution in terms of the overall economic situation of the colonies and of the specific interests of the actors. In this way historians may be better able to explain both the ideas and the events that marked the decades of the American Revolution.”<sup>112</sup>

## Section 2: Economic Freedom and Political Freedom

Putting the relationship between economies and freedom in a different context, noted economist Milton Friedman asserts that economic freedom is an important part of total freedom.<sup>113</sup> Expanding on this line of thinking he goes on to assert that competitive capitalism promotes political freedom.<sup>114</sup> Britain’s restrictive trade practices with the colonies prevented competitive capitalism, negatively impacting the political freedom of the colonists. In the case of Iraq, we find the potential for political freedom impacted by factors too many to give full treatment here, though to be sure among those factors is economic success. Friedman’s proposal on removing controls as a means of balancing political power gives credibility to the proposal that Iraq needs to achieve economic success via economic freedom in order to achieve political freedom – violent forces in opposition to freedom not-with-standing.

“Political freedom means the absence of coercion of a man by his fellow men. The fundamental threat to freedom is the power to coerce, be it in

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<sup>112</sup> Ibid., 32.

<sup>113</sup> Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), 9.

<sup>114</sup> Ibid.



the hands of a monarch, a dictator, an oligarchy, or a momentary majority.”<sup>115</sup>

“By removing the organization of economic activity from the control of political authority, the market eliminates this source of coercive power. It enables economic strength to be a check to political power rather than a reinforcement.”<sup>116</sup>

F.A. Hayek reinforces the argument that democracy and capitalism are inextricably linked in his 1944 critique of socialism, *The Road to Serfdom*.<sup>117</sup>

Hayek observes that as economic development grew in the Europe during the late seventeenth and eighteenth centuries, so also grew the realization that a powerful relationship existed between political freedom and economic freedom.

“During the whole of this modern period of European history the general direction of social development was one of freeing the individual from the ties which had bound him to the customary or prescribed ways in the pursuit of his ordinary activities. The conscious realization that the spontaneous and uncontrolled efforts of individuals were capable of producing a complex order of economic activities could come only after this development had made some progress. The subsequent elaboration of a consistent argument in favor of economic freedom was the outcome of a free growth of economic activity which had been the undesigned and unforeseen by-product of political freedom.”<sup>118</sup>

Hayek’s historical observations makes the clear argument that political freedom and the growth of economic activity did, and we assume may in the present and future, result in a desire for enduring economic freedom. In the context of Iraq’s future, the closer Iraq comes to balancing economic freedom and political freedom, the closer they will come to long-term security and thus contribute to U.S. economic security as a component of our grand strategy.

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<sup>115</sup> Ibid., 15.

<sup>116</sup> Ibid., 15.

<sup>117</sup> F.A. Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944), 69.

<sup>118</sup> Ibid.

The thread running from the birth of our nation and on through our vital interest in Iraq is the pursuit of and requirement for economic stability. This economic stability, at times morphing into economic predictability, determines the strength with which the U.S. competes and cooperates in a global economy. Economic success is linked to security for the U.S. as much as it is for Iraq. We should expect that Iraq will require, in the broadest sense, the same requirement for economic success before it can assume its desired role in the region and in the world. The challenge in determining how best to assist the Iraqi government in this pursuit is linked to our understanding of Iraq's location on the continuum of economic development.

Joseph Schumpeter, the noted Monrovia-born economist of the early 20<sup>th</sup> century, offered a model for capitalistic evolution that centered on a cyclical path of economic progress. His theory of Creative Destruction described an environment where change in capitalist markets and organizational development drive an evolution of economic character from within.<sup>119</sup> His premise is enabled by the assumption that capitalism is not, and can never be, stationary.<sup>120</sup> Schumpeter's description of the conditions that facilitate Creative Destruction paint a picture of change as an enabler-- "The fundamental impulse that sets and keeps the capitalism engine in motion comes from the new consumers' goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalism enterprise creates."<sup>121</sup> This change in the

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<sup>119</sup> Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper Torchbooks, 1963), 83.

<sup>120</sup> *Ibid.*, 82.

<sup>121</sup> *Ibid.*, 83.

form of new foreign and domestic markets along with organizational development are characteristic of the industrial mutation that revolutionizes economic structures from within – destroying old structures and creating new ones in a process of Creative Destruction.<sup>122</sup> Schumpeter allows that this cannot be observed instantaneously and must be revealed over decades or centuries.<sup>123</sup>

Schumpeter's proposition begs the question "where is Iraq in this cycle?" If we acknowledge that Iraq has undergone a significant transition since 1991 when its legitimate petroleum exports were subject to sanction, we can assert that the recent post-2003 transition to an indigenously controlled petroleum industry struggling to compete in the world oil market represents a movement to new foreign markets and a new form of industrial organization for Iraq. Though a narrow interpretation of Schumpeter's model, the proposition none-the-less represents the entry of Iraq's economy into the Schumpeter model at the point where a destroyed economy begins the arduous and lengthy transition to a competitive, capitalistic economy. Iraq, through the designs of its own leaders that put the country clearly on a 'destructive' footing, and the efforts of its current national and industry leaders, stands poised to make the positive attributes of Creative Destruction an economic self-fulfilling prophecy.

The engine behind the movement through the Creative Destruction model is capitalism. Iraq's economic success is inextricably, and likely directly, linked to the degree to which it embraces capitalism as an engine of change and

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<sup>122</sup> Ibid., 83.

<sup>123</sup> Ibid., 83.

sustainment. Reflecting on the city-state of Singapore, we find an illustrative model of the relationship between capitalism and economic success.

### Section 3: Capitalism and Economic Success

Singapore's road to success as a present-day democratic and economic success story traces its roots back to the early nineteenth century. Singapore began its journey in 1818 as part of the British trading system in East Asia where it served as a regional trade and service center for British-owned companies as well as a major administrative center for British interests in the region.<sup>124</sup> Leaping forward to today, Singapore enjoys remarkable economic success as reflected in its gross domestic product which per capita is higher than Hong Kong, South Korea, Taiwan, Malaysia, Thailand, Indonesia, the Philippines, and Vietnam.<sup>125</sup> Singapore's economic policy is driven by a highly interventionist government deeply involved in economic development via macro and microeconomic policies along with heavy state ownership of companies.<sup>126</sup>

Historical trends relative to economic development in Singapore since the late 1960's include extensive government regulation that has resulted in expansion of infrastructure, a productive labor force, political stability and rule of commercial law.<sup>127</sup> Singapore's central government has in effect shaped security and stability for the economic domain which has in turn enabled state-directed

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<sup>124</sup> Sajid Anwar, Bob Catley and Mingli Zheng, "Government Policies and the Growth of the Manufacturing Sector in Singapore," *Journal of Business and Management*, (Winter 2004): <http://proquest.umi.com/pqdweb?did=629392081&Fmt=4&clientId=3921&RQT=309&VName=PQD> (accessed January 29 2008): 373.

<sup>125</sup> Economist Intelligence Unit, *Singapore Country Profile 2007* (London: Economist Intelligence Unit, 2007), "Comparative Economic Indicators 2006," i.

<sup>126</sup> *Ibid.*, 22.

<sup>127</sup> Sajid Anwar, Bob Catley and Mingli Zheng, 374.

capitalism to flourish. The by-product of this capitalistic environment has been economic success for Singapore.

It is the environment of capitalism that has bred success for Singapore. While certainly not a one-size-fits all solution, we can embrace the concept of state-directed capitalism and its potential for driving economic success as a critical component of planning and ensuring the economic success of Iraq. There is no other good alternative to a capitalistic approach for Iraq given its petroleum resources and the potential for sustainable competition in the world market. This point is reinforced by the current absence of robust foreign investment in Iraq – a hesitancy driven by security concerns, physical and financial, on the part of potential investors. Once again we see the inextricable link between security and financial success.

Iraq's analog for Singapore's state-directed capitalism is U.S. support and investment coupled with long-term foreign investment. U.S. support runs the spectrum from direct financial backing of key industries to oversight of Iraq as it builds its engine of economic transformation, starting with its petroleum industry. The challenge advocating heavy and enduring support by the U.S. is that we may already have started down a road that will result in a false economy. Our infusion of contract-related monies into Iraq may have created supply-side dependencies that will be hard to break, not to mention destructive in their absence. The U.S. must make a comprehensive assessment of the level of our financial support to Iraq, the forms that support takes, and its relationship to Iraq's economy. Only then will we be able to project the impact to Iraq's economy when we remove our

heavy-handed support as its replaced for foreign direct-investment. The very real danger in building a false economy on the back of good will is that we will push Iraq's economy in the 'destructive' direction vice the 'creative' direction of Schumpeter's model. This backsliding will have the unintended consequence of negatively impacting security, driving Iraq away from capitalism and its promise of economic success.

To be fair about the potential for economic success in Iraq, we have to acknowledge that there is no single solution that breed or guarantee success. There never was a time where one single solution set, whether U.S., Iraqi, or coalition would ensure success. Throwing money at the problem is not enough, forcing expertise on Iraq is not enough and the will of well-meaning Iraqi's invested in their own future is not enough. It takes all these elements plus a myriad of others to keep Iraq on the path to success in what has become and enormously complex problem. Even under the best of circumstances the journey will be arduous, painful and fraught with frustration and false starts. However, the alternative is unacceptable if we believe that the marriage of capitalism and economic success offer the best road ahead for Iraq and its people.

#### Section 4: Capitalism and Democracy- U.S. Vision 1950 and Beyond

The drive to push Iraq toward a capitalistic economic system set against a background of democracy is consist with our nation's beliefs and priorities over the last fifty years. The Untied States Objectives and Programs for National Security of 14 April 1950, better known as NSC 68, outlines U.S. options for a

Cold War strategy. Consistent with our grand strategy of today, the crafters of NSC 68 outline the fundamental purpose of the United States as reflective of the Preamble to the Constitution, allowing for "...the integrity and vitality of our free society, which is founded upon the dignity and worth of the individual."<sup>128</sup> NSC 68 also captures the requirement to preserve capitalism not only for the security of the U.S., but also for the rest of the free world :

"The objectives of a free society are determined by its fundamental values and by the necessity for maintaining the material environment in which they flourish...Thus we must make ourselves strong...in the development of our military and economic strength...We must lead in building a successfully functioning political and economic system in the free world."<sup>129</sup>

NSC 68 also acknowledges that foreign economic policy is a major tool in the overall execution of U.S. foreign relations, a tool that can influence the global environment in ways conducive to U.S. security and welfare.<sup>130</sup> Also of great interests is the observation that economic conditions are the fundamental determinant of the will and the strength to resist subversion and aggression.<sup>131</sup> Though written in 1950, this logic applies today with respect to Iraq and the inextricable link between economic success and security.

The conceptual link between security, democracy, and economic prosperity is also reflected in President Reagan's National Security Decision Directive Number 32 of 20 May 1982. In this articulation of U.S. National Security Strategy, President Reagan outlines how U.S. national security strategy

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<sup>128</sup> National Security Council, *NSC 68: United States Objectives and Programs for National Security* (14 April 1950), <http://www.fas.org/irp/offdocs/nsc-hst/nsc-68.htm> (accessed February 5 2008), 3.

<sup>129</sup> Ibid., 6.

<sup>130</sup> Ibid., 21.

<sup>131</sup> Ibid., 21.

will be guided by objectives including the strengthening of U.S. global influence through a range of diplomatic, political, economic, and information efforts along with the promotion of economic development and a functioning international economic system.<sup>132</sup> President Clinton's 1995 National Security Strategy of Engagement and Enlargement continues with this theme, reflecting that "...our economic and security interests are increasingly inseparable."<sup>133</sup> He also captures the relationship between diplomacy, military strength and the economy - "The strength of our diplomacy, our ability to maintain an unrivaled military, the attractiveness of our values abroad – all these depend in part on the strength of our economy."<sup>134</sup> His 1998 National Security Strategy expands on this line of thinking, acknowledging that the economic health of the United States is vulnerable to forces that originate beyond our borders.<sup>135</sup>

President Bush's current National Security Strategy continues with the themes from the last fifty years, recognizing that "Greater economic freedom is ultimately inseparable from political liberty... Greater economic freedom also leads to greater economic opportunity and prosperity for everyone"<sup>136</sup> His assertion that market economies are the most effective economic system and the best antidote for poverty<sup>137</sup> is consistent with the line of thinking that promotes economic success for Iraq as central to long-term stability.

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<sup>132</sup> President Reagan, directive, *National Security Decision Directive Number 32*, (20 May 1982): <http://www.au.af.mil/au/awc/awcgate/nss/nss-82.pdf> (accessed February 5 2008), 1, 2.

<sup>133</sup> President Clinton, *National Security Strategy of Engagement and Enlargement*, 1995, <http://www.au.af.mil/au/awc/awcgate/nss/nss-95.pdf> (accessed February 5 2008), 19.

<sup>134</sup> Ibid.

<sup>135</sup> President Clinton, *A National Security Strategy for a New Century*, 1998, <http://clinton2.nara.gov/WH/EOP/NSC/html/documents/nssr.pdf> (accessed February 5 2008), 27.

<sup>136</sup> President Bush, *The National Security Strategy of the United States of America*, 2006, 25.

<sup>137</sup> Ibid., 25.



The consistent proposition from President Truman to President Bush that democracy and capitalism go hand-in-hand is evidence that our vision for the future of Iraq is rooted in long-held beliefs about our own economic security and the need for global economic prosperity. While our vision for the future of Iraq is unique to Iraq's problem set, it is reflective of long-held beliefs that we cannot separate economic success from the security equation. What we must also be cognizant of as we go down this path with Iraq is the cultural divide that may frustrate our efforts no matter how well-rooted our intentions. We might learn from T.E. Lawrence's frustrations as captured in the final chapters of his *Seven Pillars of Wisdom*. Lawrence describes the struggle to stand up an Arab government in Damascus after two years of conflict, the main obstacle to success being the tug and pull of culture and tribal history felt by those who would determine their own destiny.<sup>138</sup>

This chapter has reviewed the linkages between capitalism and democracy in a historical context as well as in the current vision of President Bush. The next task is to take these linkages to the next logical step, demonstrating that vital U.S. interests can be satisfied through the skill application of strategies that support economic success for the vanquished, and the victor.

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<sup>138</sup> T.E. Lawrence, *Seven Pillars of Wisdom*, 643-660.

## **Chapter 4: Post-WWII Europe, Japan and U.S. Economic Success**

### **Section 1: Vision for European Recovery**

U.S. initiatives to ensure the recovery and eventual success of Europe and Japan in the aftermath of the Second World War stand as remarkable examples of planning, focus, and determination on the part of our nation's senior leaders. This assertion in no way takes away from the equally remarkable battlefield successes and eventual victory earned by U.S. and Allied forces at great cost of life. What our efforts point to in the post-conflict time period is an astute grasp of the conditions necessary for the long-term survival of the United States as well as a keen understanding of how those conditions related to the success of our allies and those who would eventually become our allies. Though U.S. efforts in Europe and Japan reflect different approaches, they do originate from the same basic motivation of U.S. survival and long-term prosperity as supported by the security of our economy. Fifty years of other challenges, eventually victorious or not, cannot diminish the significant lessons we must embrace in the responsible pursuit of successful strategy for the future of Iraq.

The public genesis for the U.S.-led initiative to secure the successful recovery of Europe came in the form of Secretary of State George C. Marshall's address at Harvard University on June 5<sup>th</sup>, 1947, otherwise known as the Marshall Plan Speech. Secretary Marshall would lay out in broad terms for the world the

impact the war had on Europe, the great duration recovery would take, the impact of the situation on the U.S., and the role of Europeans in their own recovery.<sup>139</sup>

Secretary Marshall painted a picture of Europe that not only struggled with material destruction but with the destruction of an economic system – “...visible destruction was probably less serious than the dislocation of the entire fabric of European economy.”<sup>140</sup> Marshall acknowledged that the destruction of this fabric would take considerable time to rebuild – “...the rehabilitation of the economic structure of Europe quite evidently will require a much longer time and greater effort than has been foreseen.”<sup>141</sup> The criticality of time was to be felt in the very near term with an acknowledgement that Europe would rely heavily on the U.S. over the next three to four years because without additional help Europe would face “...economic, social, and political deterioration of a very grave character.”<sup>142</sup>

The deterioration envisioned by Marshall was postulated to have a significant negative impact on the future of the United States. His logic tied together security, stability and economic prosperity – “It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace.”<sup>143</sup> While the participation and leadership of the United States would be crucial to this recovery effort, Marshall acknowledged that our support

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<sup>139</sup> George C. Marshall, “Marshall Plan Speech” (speech, Harvard University, Cambridge MA, June 5, 1947) [http://www.georgemarshall.org/lt/speeches/marshall\\_plan.cfm](http://www.georgemarshall.org/lt/speeches/marshall_plan.cfm) (accessed October 15 2007).

<sup>140</sup> Ibid.

<sup>141</sup> Ibid.

<sup>142</sup> Ibid.

<sup>143</sup> Ibid.

should come in the form of aid in the drafting of a recovery program and support of those programs once established, leaving the bulk of responsibility squarely in the hands of Europe – “The program should be a joint one, agreed to by a number, if not all, European nations.”<sup>144</sup> The coalition of supporters would necessarily need to come from inside Europe in order to ensure success.

The current analog for Marshall’s proposition lies in the requirement for foreign direct investment in Iraq. The U.S. cannot through establishment of a false economy or force of will compel success in Iraq. There is now and will be for the foreseeable future a requirement for significant foreign investment in order to ensure the success of Iraq’s economy and those global partners who have a stake in that success.

The follow-on to the Marshall plan was a reinforcing report by the President’s Committee on Foreign Aid in November of 1947. The committee’s European Recovery and American Aid report reinforced the idea that U.S. economic self-interests were intertwined with the future of Europe.<sup>145</sup> Expanding that line of thinking, the committee proposed that the prosperity of Europe was essential to U.S. trade in other parts of the world.<sup>146</sup> The example they gave was that of South American countries exporting surplus goods to Europe and in turn using the funds gained to pay for imports from the United States – “Thus a

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<sup>144</sup> Ibid.

<sup>145</sup> President’s Committee on Foreign Aid, *European Recovery and American Aid (Parts One and Two)*, November, 1947, Clark Clifford Papers, [http://www.trumanlibrary.org/whistlestop/study\\_collections/marshall/large/documents/index.php?documentdate=1947-11-00&documentid=32&studycollectionid=mp&pagenumber=1&forprinter=true](http://www.trumanlibrary.org/whistlestop/study_collections/marshall/large/documents/index.php?documentdate=1947-11-00&documentid=32&studycollectionid=mp&pagenumber=1&forprinter=true) (accessed October 19 2007), B2. .

<sup>146</sup> Ibid.

disintegration of the European economy would curtail the power of these countries to buy United States [goods].”<sup>147</sup>

Marshall’s proposal was formalized in President Truman’s 19 December 1947 message to Congress on the Marshall Plan in which he emphasized the criticality of supporting recovery of the European economy.<sup>148</sup> President Truman clearly stated that the recovery of Europe was in the vital interest of the United States, particularly in terms of the U.S. economy.<sup>149</sup> Truman cited the plan of the sixteen European nations comprising the Committee of European Economic Cooperation, pointing to the four points upon which the program rested:

- 1) Strong production effort by each of the participating countries
- 2) Internal financial stability on the part of each country
- 3) Maximum and continued cooperation among the participating countries
- 4) Increased European exports to the U.S. to combat their trade deficit<sup>150</sup>

President Truman’s premise was that the solution to the problem of making Europe self-supporting was to increase European production.<sup>151</sup> Truman’s speech, like the analog from Marshall’s speech, gives weight to the idea of increasing Iraqi oil production as one component of the larger effort to put the Iraqi economy on the path to success. Critical to that approach is the sustained investment by foreign interests in Iraq’s oil-based economy. This investment is as critical to the future economic success of Iraq as U.S. investment was to Europe in the aftermath of the Second World War.

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<sup>147</sup> Ibid.

<sup>148</sup> President Truman, address, “Special Message to the Congress on the Marshall Plan, December 19, 1947,” Public Papers of the Presidents of the United States: Harry S. Truman, 1947 (Washington, DC: Government Printing Office, 1963), 516.

<sup>149</sup> Ibid.

<sup>150</sup> Ibid., 518.

<sup>151</sup> Ibid., 518.

## Section 2: Vision for Japanese Recovery

The U.S. economic policy for post-conflict Japan differed from the Marshall Plan approach in that economic recovery was an enabler of overall Japanese recovery, and not an end in and of itself. U.S. economic considerations for post-war Japan in the 1943-1944 lead-up to the 1945 Potsdam Declaration were secondary to creating a stable.<sup>152</sup> The primary issue of concern for planners was the status of the Japanese emperor.<sup>153</sup> Though a secondary concern, policy planners were convinced that lack of future Japanese prosperity would set the conditions for future war.<sup>154</sup> The stated purpose of the Allies' policy for Japan as enumerated in the 1945 Potsdam Declaration were: a) To insure that Japan will not again become a menace to the peace and security of the world, and b) To bring about the earliest possible establishment of a democratic and peaceful government which will carry out its international responsibilities, respect the rights of other states, and support the objectives of the United Nations.<sup>155</sup>

Following on the heels of the Potsdam Declaration was the "United States Initial Post-surrender Policy for Japan", signed by President Truman on 6 September 1945. The ultimate objectives of the United States as outlined in this policy, and running parallel with those in the Potsdam Declaration, were that:<sup>156</sup>

a) Japan should not again become a menace to the U.S. or to global peace and security.

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<sup>152</sup> Rudolf V.A. Janssens, *What Future of Japan?* (Atlanta: Rodopi, 1995), 242.

<sup>153</sup> Ibid.

<sup>154</sup> Ibid., 246.

<sup>155</sup> John W. Masland, "Post-War Government and Politics of Japan," *The Journal of Politics*, Vol. 9, No. 4. (November 1947): 466, <http://links.jstor.org/sici?sici=0022-3816%28194711%299%3A4%3C565%3APGAPOJ%3E2.0.CO%3B2-W> (accessed 26 November 2007).

<sup>156</sup> State-War-Navy Coordinating Committee, *United States Initial Post-Surrender Policy for Japan* (SWNCC 150/4), 6 September 1945, [http://www.ndl.go.jp/constitution/e/shiryo/01/022/022\\_001r.html](http://www.ndl.go.jp/constitution/e/shiryo/01/022/022_001r.html) (accessed February 18 2008), 48.

b) that there would be a peaceful and responsible government established in Japan which would respect the rights of other states and will support the objectives of the U.S. as reflected in the ideals and principles of the Charter of the United Nations. The U.S. desires that this government should conform as closely as possible to principles of democratic self-government but it is not the responsibility of the Allied Powers to impose upon Japan any form of government not supported by the freely expressed will of the people.

The economic features of the policy were two-fold 1) economic demilitarization and 2) promotion of democratic forces.<sup>157</sup> The latter of these two features centered on the development of labor, industry, and agriculture organizations and the wide distribution of the ownership and income of productive means of trade.<sup>158</sup> These policies, though well-thought out and apparently comprehensive, were a challenge to implement against a Japanese economy that became one of the most problematic issues of the Occupation.<sup>159</sup> The primacy of security as a concern in Japan did not abate in the aftermath of Japanese surrender. In 1948, the Department of State's George Kennan offered in his National Security Council policy 13/2 that "Second only to U.S. security interests, economic recovery should be made the primary objective of the United States policy in Japan for the coming period."<sup>160</sup> This offering by Kennan continues the theme that overall security and economic security are related.

The difference in approach between the Marshall Plan for Europe, and the economic policy for Japan, is one of priority and proximity. The economic success of Europe directly impacted the future sustained economic success of the

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<sup>157</sup> Ibid., 55.

<sup>158</sup> Ibid., 423.

<sup>159</sup> Ibid., 418.

<sup>160</sup> Ibid., 430.

U.S., and thus the security of the U.S. Japan's economic success supported internal Japanese stability and security, but did not impact U.S. economic success as directly as Europe's economy would. The relative proximity to U.S. economic success and security drove different approaches for Europe and Japan. Both approaches were aimed at ensuring security, one through economic recovery, the other through preservation of U.S. options to influence future events in the Pacific.

This chapter has reviewed U.S post-conflict plans for Europe and Japan – plans that acknowledged the conditions necessary for the continued economic security of the United States. Our next challenge is to examine the economics-security nexus more closely to better understand how we can leverage their combined strengths.



## **Chapter 5: Examining the Economics-Security Nexus**

As we have seen, the link between security and economic success is multifaceted and complex. Yet at the same time, we can observe that the relationship is circular – the U.S. can't have economic success without security – security comes in part from having economic success. The first principles of our nation as embodied in the Preamble to the Constitution capture the requirement for security and economic success – providing for the common defense, and promoting the general welfare. It is the nexus of the security and economics environments that gives us clues as to how we should proceed in our strategy for Iraq.

Our security priorities from the National Security Strategy, as a subset of our grand strategy, give us the standard by which we can assess our strategy for Iraq. As we know, the first of these priorities is winning the war on terror. The second of these priorities is promoting freedom by linking democracy, security and political, religious, and economic freedom.

We have been out of synch with our grand strategy since the early stages of planning for Iraq because we didn't plan to support initiatives that would lead to economic freedom and pave the road to economic success. Reconciliation of CENTCOM planning efforts and Future of Iraq Project initiatives with the execution of our Iraq strategy reveals glaring gaps in planning considerations that have resulted in economic stagnation that are crippling Iraq's near-term opportunities for economic success. The lack of movement in a positive direction puts our initiatives at odds with our grand strategy and takes us further away from any opportunities for long-term economic success in Iraq.

There are two main lessons we can learn from our post-WWII Germany and Japan experiences:

- 1) U.S. economic success can be linked to the economic recovery of our defeated adversaries.
- 2) Economics and security are inextricably linked.

In the case of the first lesson, two subordinated lessons emerge:

- a) U.S. economic success can be wholly dependent on the economic future of a defeated enemy--as was the case with Germany and Europe.
- b) Economic recovery of an adversary is directly linked to the state's ability to remain stable--as was the case with Japan.

In the case of the first subordinate lesson, the security link between Germany and Europe was one of vital interest to the United States. The link between European recovery and the future economic success of the U.S. was correctly identified by Marshall and supported by President Truman. Their understanding of the criticality of the direct relationship between two economies separated by the Atlantic laid the groundwork not only for a successful European recovery--led by Europeans, but also for the continued guarding of the U.S. economy's future. President Truman's belief that a failed recovery by the European economy would lead to the downturn of the U.S. economy drove the decision to embrace the challenge of a European recovery head-on. The resulting plan demonstrated to Europeans, as well as Americans, that the two economies, and thus the two futures, were mutually dependent for their respective successes.

The second subordinate lesson is that the economic recovery of a defeated adversary is directly related to internal stability as in the case of Japan. Though

not considered an immediate pre-condition for future U.S. economic success, the recovery of the Japan's economy was seen as a condition of long-term Japanese internal stability. That stability would in later years preserve trade relationships between the U.S. and Japan as well as guarantee the ability of the U.S. to protect its interests in the Pacific during the next decade.

The second main lesson from our review of U.S. post-WWII strategies is that economics and security are inextricably linked. The first main lesson and its subordinate elements as just discussed lead to this second main lesson as an important truism. The U.S. viewed Germany and Europe, and Japan through two different lenses, but ultimately shaped recovery strategies for Europe and the Pacific that supported mid and long-term security interests of the U.S. The mechanism for ensuring those security interests was sound economic planning with respect to Europe and in part with respect to Japan.

An important second-order effect to placing an emphasis on economic recovery was the associated growth of capitalistic and democratic institutions. Growth of these institutions in Europe and Japan, and their relationship with the growth of stability and eventually security, served U.S. long-term relationships. In short, the nexus of U.S. economic and security interests in the post-WWII recovery strategies for Germany and Japan directly supported U.S. grand strategy and its requirement to promote the general welfare of U.S. citizens while at the same time providing for their common defense.

Taking lessons learned and observed over seventy years ago in a conflict for our nation's survival that enjoyed popular support at home and applying to

current problem sets is certainly a risky proposition. What we can be confident of as we make the transition to today is that the main lessons we bring with us are of such an enduring nature as to make their application appropriate for our current challenges, especially those in Iraq.

This chapter has examined WWII lessons centered on the economics-security nexus. The final chapter will review this paper's thesis and outline steps for aligning our efforts in Iraq under our nation's grand strategy.

## **Chapter 6: Perspective – Recapturing U.S. Grand Strategy**

This paper began with the proposition that the U.S. needs to apply lessons learned from post-conflict economic policies for post-WWII Europe and Japan in order to correct inconsistencies between our grand strategy and how we are pursuing our national interests in Iraq. Further asserted is that the extent to which we shape a successful economic future determines how successful we are in aligning our efforts under U.S. grand strategy.

In order to gain an understanding of how best to apply lessons from post-WWII and posture Iraq and the U.S. for success, this paper examined definitions of strategy and grand strategy, the role of the Preamble relative to our grand strategy, grand strategy interpretations since 11 September 2001, Department of Defense and Department of State planning for conflict in Iraq, economic theory relative to the birth of our nation and to planning for Iraq, planning for post-WWII Europe and Japan, and the relationship between economics and security.

The challenge now is how best to apply these lessons such that we remain true to our grand strategy. Before prescribing solutions though, we have to reflect on the commitment to our own principles and how that commitment sets the conditions for success. Specifically, we have must keep our strategic priorities in the right context; we must acknowledge that the survival of our nation trumps all other considerations. That survival is linked directly with our security, and as outlined in this paper– largely economic security. While we might want to promote the perception of benevolence to the rest of the world, it is our informed interest that should be paramount at all times. If something is in our “vital

interest”, its value as an object should directly support our national survival.

While fully acknowledging the multi-dimensional character of our vital interests, we must remain focused on those elements of our interests that contribute to our grand strategy, security, and in the case of Iraq, economic security.

Post-WWII plans for Europe and Japan acknowledged the international political and economic environment, state equities, and the degree to which the security of the U.S. was impacted by the success or failure of Axis and Allied states. Jumping to today, we can set out a course of action for Iraq after reflecting on our post-conflict successes in Europe and Japan, and after accepting the reality that in today’s environment U.S. interests largely trump benevolence.

The first of three steps on the path to recovering our grand strategy is to acknowledge two things 1) there is no good alternative to capitalism as an economic way of life (and capitalism goes best with democracy), and 2) we as a nation don’t need new programs or innovate bureaucracy to correct our vision for Iraq. The National Security Council’s 2005 National Strategy for Victory in Iraq prescribes an economic track with supporting concepts of restoring Iraqi infrastructure, reforming Iraq’s economy, and building institution capacity.<sup>161</sup>

The second step to recovering our grand strategy is to energize efforts that support these three guiding concepts--efforts that set the conditions for economic success. Three initiatives supporting the restoration of Iraqi infrastructure, the reformation of Iraq’s economy, and the building of institution capacity are: 1) achievement of benchmarks pursuant to the 2005 National Strategy for Victory in

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<sup>161</sup> National Security Council, *National Strategy for Victory in Iraq*, 2005, 2.

Iraq, 2) establishment of water and electricity services in Iraq, and 3) restoration of Iraq's oil production infrastructure.

The first initiative serves as a forcing function on the Iraqi government to smartly and rapidly obligate monies that support the second and third initiatives. A Marshall Plan model would require the primary stakeholder to be responsible for execution of plans to ensure recovery; Iraq is the analog to Europe in this case, requiring consistent and committed effort to bring the vision of recovery to fruition.

Completion of the second initiative brings not only basic services to the Iraqi people, but acts as a catalyst and enabler for individuals to participate in the economy of a recovering Iraq. With water and electricity comes confidence in the central government, followed by the potential for economic independence and interdependence at the individual level, a momentum that can beget further success. There should be no presumption that restoration of services is solely a government of Iraq problem. Though Iraq is the primary stakeholder, we should expect the U.S. to shape and support restoration of services while at the same time equipping Iraq to independently bring service gaps to closure.

The third initiative of the second step, restoration of Iraq's oil production infrastructure, is the single largest catalyst for recovery of the Iraqi economy. While international assistance plays a role in all three initiatives, foreign direct investment plays a critical role in that without it, recovery is not possible. Income from oil sales contribute to Iraq's ability to secure itself, which in turn generates

incentives for more foreign direct investment—and the resulting opportunity for economic success.

The third and final step on the path to recovering our grand strategy is to acknowledge in our actions the criticality of the relationship between security and economic success. We have seen since the founding of our nation the unique and powerful relationship between our prospect for economic success, and our security as a nation. In the context of Iraq, security is a functioning infrastructure and the belief of the Iraqi people that tomorrow may be better than today – two elements with the potential for powerful synergy.

Commitment to these three steps, while overarching, offer the best chance for success in getting our strategy for Iraq back on track and in support of our grand strategy. These steps are not new ideas, but re-articulations of concepts that surfaced in a variety of forms and at varying times in a multitude of planning processes within the Departments of State and Defense prior to our current involvement in Iraq. The lesson here, and caution for the future, is that solutions may very well be right under our noses and in plain sight.

Taking the path outlined above offers us the best chance of success for Iraq as a nation, and for the U.S. as a stake-holder in Iraq's success. Recapture of our grand strategy is certainly achievable, and a moral imperative if we are to remain true to our founding principles and our obligation to ensure their legacy for the future.



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